

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
OPERATION AND MAINTENANCE, SOUTHEASTERN POWER ADMINISTRATION

PROPOSED APPROPRIATION LANGUAGE

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy pursuant to the provisions of section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southeastern power area, (\$12,222,000) \$8,500,000, to remain available until expended; in addition, notwithstanding the provisions of 31 U.S.C. 3302, not to exceed \$28,000,000 in reimbursements (\$20,000,000 for transmission wheeling and ancillary services and \$8,000,000 for power purchases at the Richard B. Russell Project), to remain available until expended.

Explanation of Change

Adds reimbursement language for power purchases at the Richard B. Russell Project.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
SOUTHEASTERN POWER ADMINISTRATION**

EXECUTIVE BUDGET SUMMARY

Mission

The mission of Southeastern Power Administration is to market federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer-oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvement.

The Southeastern Power Administration markets power produced at 23 Corps of Engineers constructed projects, to customers in 11 southeastern states giving preference in the sale of power to public bodies and cooperatives in accordance with the Flood Control Act of 1944.

Southeastern does not own or operate any transmission lines. In the absence of transmission lines of its own, Southeastern carries out its marketing program by utilizing the existing transmission systems of the power utilities in the area. This is accomplished through “wheeling” arrangements between Southeastern and each of the area utilities with transmission lines connected to the projects, under which the utility agrees to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for the wheeling services performed.

The vision of the Southeastern Power Administration is to advance clean, responsible, reliable power.

The GOALS of the Southeastern Power Administration are to:

1. Encourage widespread use of available Federal power giving preference in the sale of power to public bodies and cooperatives.
2. Promote energy and economic efficiency among preference customers.
3. Make the power available at the lowest possible rates to consumers consistent with sound business principles while repaying the Federal investment in a timely manner.
4. Operate projects as an integrated system to provide maximum power contribution in meeting area power requirements.
5. Utilize existing area transmission systems to accomplish transmission of power to customers.

6. Expand training programs of associates that maximize their contribution to organization's vision and mission.
7. Make maximum use of available technology.
8. Enhance and increase organizational communications and quality.

The OBJECTIVES related to these goals are:

1. Actively participate in electric industry issues. Demonstrate a willingness to change policy, contracts, and operating procedures to be more responsive to our customers.
2. Accomplish timely repayment and collections for power delivered to customers. Work with customers and Corps of Engineers to monitor costs and to work toward cost containment.
3. Formulate power rates to recover all costs of producing and transmitting power, including amortization of capital investment allocated to power, over a 50-year period and replacements over the service lives up to a maximum of 50 years.
4. Continue to administer approximately 300 contracts which benefit more than 500 customers in a fair and effective manner that carries out the intent of contract provisions. This includes power delivery, contract service, billing and collection functions and daily coordination of reservoir operations to maximize power output and meet firm power commitments.
5. Southeastern's Competitive Resource Strategies Program seeks to help customers find new ways to accomplish the goals of customers' Integrated Resource Plans, with emphasis on strategies that take advantage of new marketing options in a deregulated environment.
6. Continue coordination with Corps of Engineers, preference customers, and other interested parties in the rehabilitation and upgrade of existing and new projects and in competing uses of water.

7. Continue to coordinate, schedule and dispatch the power system generation to maximize the power benefits through improved technology to the electric grid and the Preference Customers through hourly communication and coordinated working relationships with various electric utilities. Continue to account and provide summaries of power transactions for the appropriate and timely power billing function of the Agency.

Strategy

- Southeastern will accomplish its program mission through three program activities - (1) Program Direction, (2) Purchase Power and Wheeling, and (3) Reimbursements.
- Southeastern continues to take the lead in fostering communications with its power sales customers and the Corps of Engineers through two previously established partnerships - the Southeastern Federal Power Alliance and Team Cumberland.
- In July 1991, the Southeastern Federal Power Alliance was formed between Southeastern, the South Atlantic Division of the U. S. Army Corps of Engineers, and preference customers in the Georgia-Alabama-South Carolina System. Officials representing these three groups met to create a vision and develop a strategy that fosters open communication and trust. The theme "Partners Advancing Clean Reliable Hydropower" was chosen by the Alliance.
- Team Cumberland was formed in February 1992. This partnership consists of representatives of Southeastern, the Ohio River Division of the Corps of Engineers, and customers in the Cumberland System. "Partners Advancing Responsible Hydropower" was the theme chosen to represent Team Cumberland's vision.
- Competing demands for water use are expected to continue to be intense and to impact the power potential of projects for which Southeastern has marketing responsibility. Discussions, studies, and meetings with its preference customers, Corps of Engineers, and other affected groups will continue as Southeastern carries out its responsibility to ensure that the power interest is heard.
- Based on Administration policy the Southeastern Power Administration will set rates, consistent with current law, to recover the full cost of the Civil Service Retirement System and Post-Retirement Health Benefits, for its employee and the U. S. Army Corps of Engineers power related employees, that have not been recovered in the past. The estimated increase in receipts to the Treasury is \$3 million annually.

Major Changes

- Southeastern continues to revise its Strategic Plan. The plan outlines the goals and objectives Southeastern anticipates implementing during the next five years.
- Southeastern expanded its capability to schedule the hourly generation of the hydroelectric projects by improving communications with the individual projects in Southeastern's marketing area.
- Southeastern supported and began fulfilling requirements for streamlining set forth in the Vice President's National Performance Review. Following the Department's goals and objectives for this process and implementing our total quality skills, a new organizational structure was established in 1994.
- Southeastern's total quality process continues with associates receiving training in the areas of team building and process improvement techniques. Southeastern's efforts in Total Quality Management has improved customer service.
- The Competitive Resource Strategies Program has begun to focus on competitiveness issues that have evolved over the past several years as well as new initiatives. The competitiveness issues resulted from the passage of the Energy Policy Act of 1992 and subsequent implementing orders, which directed preference customer focus toward a competitive market. In cooperation with preference customers, state associations and Federal entities, Southeastern sponsors cost shared workshops to help its customers address issues surrounding the implementation of energy efficient programs in a competitive market.
- The National Energy Policy Act of 1992 and Federal Energy Regulatory Commission (FERC) Orders 888 & 889 have impacted generation, transmission, and ancillary services provided by electric utilities including Southeastern. Southeastern is allocating more resources to review policies and accommodate the new requirements.
- The FY 1999 budget request continues to use the FY 1998 approach of using customer reimbursements. Customer advances will be utilized to pay for transmission wheeling and ancillary services needed to deliver power to some preference customers, and to pay for power purchases required to operate the Russell project. It is SEPA's policy to encourage customers to contact independently of SEPA for transmission services. However, a blanket application of this policy could lead to sub-optimization of the Federal resource, thereby increasing per unit costs and negatively impacting repayment to the Treasury. Therefore, SEPA will review each case to assure there are no negative impacts on the marketability of the Federal resource.
- As a part of the total appropriation request for FY 1999, Southeastern will utilize reimbursements of up to \$28,000,000, whereby the preference customers pay (1) \$20,000,000 for customer transmission and ancillary services, and (2) \$8,000,000 for power purchases at the Richard B. Russell Project scheduled to go into commercial operation in FY 1998.

**SOUTHEASTERN POWER ADMINISTRATION
ALTERNATIVE FINANCING
(In Thousands)**

<u>1997</u>	<u>Transmission</u>	<u>+ Purchase Power</u>	<u>- Reimbursements</u>	<u>- Net Bill</u>	<u>= Appropriated Funds</u>
Jim Woodruff System	0	800	0	200	600
Kerr-Philpott System	3,892	0	0	0	3,892
GA-AL-SC System	16,183	6,000	0	3,406	18,777
Cumberland System	7,187	0	0	7,000	187
Total:	\$27,262	\$6,800	\$0	\$10,606	\$23,456
<u>1998</u>					
Jim Woodruff System	0	800	0	200	600
Kerr-Philpott System	4,159	0	0	0	4,159
GA-AL-SC System	21,203	10,300	20,000	4,553	6,950
Cumberland System	7,200	0	0	7,000	200
Total:	\$32,562	\$11,100	\$20,000	\$11,753	\$11,909
<u>1999</u>					
Jim Woodruff System	0	800	0	200	600
Kerr-Philpott System	4,356	0	0	0	4,356
GA-AL-SC System	21,078	12,521	28,000	4,631	968
Cumberland System	7,206	0	0	7,000	206
Total:	\$32,640	\$13,321	\$28,000	\$11,831	\$6,130

SOUTHEASTERN POWER ADMINISTRATION

OBLIGATION ESTIMATES
(Purchase Power and Wheeling)
(In Thousands)

	FY 1997	FY 1998	FY 1999
TRANSMISSION:	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Virginia	2,560	2,738	2,977
CP&L	1,146	1,226	1,180
Appalachian	373	395	405
Southern Company	5,282	7,814	7,167
Duke	2,775	3,962	4,391
SCE&G	320	474	489
Southern Co. (Ancillary services)	4,400	4,400	4,400
AEC	1,371	1,635	1,625
SCPSA	2,035	2,918	3,006
TVA	7,000	7,000	7,000
Transmission Subtotal:	27,262	32,562	32,640
Reimbursements	-	-20,000	-20,000
Less Net Billing	-10,406	-11,553	-11,631
Transmission Total:	16,856	1,009	1,009
PURCHASE POWER:			
Florida	800	800	800
Various other companies	6,000	10,300	12,521
Purchase Power Subtotal:	6,800	11,100	13,321
Reimbursements	-	-	-8,000
Less Net Billing:	-200	-200	-200
Purchase Power Total:	6,600	10,900	5,121
TOTAL-PP/W:	23,456	11,909	6,130
APPROPRIATED FUNDS:	\$23,456	\$11,909	\$6,130

Site Funding and Federal Staffing Profiles

PROGRAM ACTIVITY	FY 1997	FY 1998	FY 1999
Southeastern Power Administration	\$27,445	\$16,222	\$10,500

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
SOUTHEASTERN POWER ADMINISTRATION
(Tabular dollars in thousands, Narrative in whole dollars)**

SOUTHEASTERN POWER ADMINISTRATION

PROGRAM MISSION

Mission

The mission of Southeastern Power Administration is to market federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer-oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvement. Southeastern markets hydroelectric power in the states of West Virginia, Virginia, North and South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Illinois and Kentucky.

Southeastern does not own or operate any transmission lines. In the absence of transmission lines of its own, Southeastern carries out its marketing program by utilizing the existing transmission systems of the power utilities in the area. This is accomplished through “wheeling” arrangements between Southeastern and each of the area utilities with transmission lines connected to the projects, under which the utility agrees to deliver specified amounts of Federal power to customers of the Government, and Southeastern agrees to compensate the utility for the wheeling services performed.

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PERFORMANCE MEASURES:

Performance measures measure the financial, operating, and rate performance of Southeastern Power Administration. The Corps of Engineers is in the process of transferring to a new Corps-wide financial management system, and the FY 1997 numbers are not available at this time. These measures include the FY 1996 numbers:

1. Give preference in the sale of power to public bodies and cooperatives:
 - Percent of power sold is estimated to be 99% or more.
Due to good water conditions Southeastern's percentage for FY 1996 was 99.6%.
2. Repayment of the Federal investment:
 - Increase in average power costs is expected to be less than the increase in the Consumer Price Index.
Southeastern's percent variance of actual from planned principal payments to Federal investment was 21.6% for FY 1996. This was the result of above average streamflow conditions.
3. Provide maximum power contributions in meeting area power requirements:
 - Percent of full-time unit availability is estimated to be 90 percent.
Due to fewer than estimated forced outages, Southeastern's percentage for FY 1996 was 96%.
4. Utilization of area transmission systems:
 - Increase in the transmission costs is expected to be less than the increase in the Consumer Price Index.
Southeastern's transmission rates decreased in several systems in FY 1996. This resulted in a 2.83% decrease in the composite performance indicator.
5. Do another assessment under President's Quality Award Criteria.
 - Increase the agency score by greater than 30%.

SIGNIFICANT ACCOMPLISHMENTS AND PROGRAM SHIFTS:

- Southeastern continues to take the lead in fostering communications with our customers and the Corps of Engineers through two previously established partnerships - the Southeastern Federal Power Alliance and Team Cumberland. The Southeastern Federal Power Alliance provides suggestions which help enable the operations center identify changing customers needs. Both partnerships meet periodically to exchange information and promote their visions.
- Southeastern expanded its capability to schedule the hourly generation of the hydroelectric projects in Southeastern's marketing area.
- Southeastern continues to support requirements for streamlining set forth in the Vice President's National Performance Review.
- Southeastern's efforts in Total Quality Management continue to lead us in improved processes and customer service.
- Southeastern's Competitive Resource Strategies Program provides education and training opportunities to preference customers. Southeastern also maintains close contact with Generation and Transmission Cooperatives, Joint Action Agencies, and customer associations across the Southeast to assess the need and scope of new training initiatives.
- Southeastern continues to revise its Strategic Plan. The plan outlines the requirements under GRPA and DOE's plan that Southeastern anticipates implementing during the next five years.
- The FY 1999 budget request continues to use the FY 1998 approach of using customer reimbursements. Customer advances will be utilized to pay for transmission wheeling and ancillary services needed to deliver power to some preference customers, and to pay for power purchases required to operate the Russell project. It is SEPA's policy to encourage customers to contact independently of SEPA for transmission services. However, a blanket application of this policy could lead to sub-optimization of the Federal resource, thereby increasing per unit costs and negatively impacting repayment to the Treasury. Therefore, SEPA will review each case to assure there are no negative impacts on the marketability of the Federal resource.
- As a part of the total appropriation request for FY 1999, Southeastern will utilize reimbursements of up to \$28,000,000, whereby the preference customers pay (1) \$20,000,000 for customer transmission and ancillary services, and (2) \$8,000,000 for power purchases at the Richard B. Russell Project scheduled to go into commercial operation in FY 1998.
- In FY 1997, Southeastern marketed 8,146 GWH of clean renewable hydroelectric energy for \$163,433,202 in revenues providing total proprietary receipts of \$153,752,042. Southeastern anticipates receipts of \$145,259,000 for FY 1998, \$170,264,000 for FY 1999, and \$173,384,000 for FY 2000.

- Based on Administration policy the Southeastern Power Administration will set rates, consistent with current law, to recover the full cost of the Civil Service Retirement System and Post-Retirement Health Benefits, for its employee and the U. S. Army Corps of Engineers power related employees, that have not been recovered in the past. The estimated increase in receipts to the Treasury is \$3 million annually.

**SOUTHEASTERN POWER ADMINISTRATION
FY 1999 CONGRESSIONAL BUDGET REQUEST
PROGRAM FUNDING PROFILE
(Dollars in thousands)**

<u>Sub-Program</u>	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustment</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 <u>Request</u>
Program Direction	\$3,989	\$4,313	\$0	\$4,313	\$4,370
Purchase Power & Wheeling Operation Expenses - <u>a/</u> & <u>c/</u>	<u>23,456</u>	<u>11,909</u>	<u>0</u>	<u>11,909</u>	<u>6,130</u>
Subtotal, Southeastern Power Admin.	\$27,445	\$16,222	\$0	\$16,222	\$10,500
Adjustment <u>b/</u>	<u>-11,086</u>	<u>-2,000</u>	<u>-2,000</u>	<u>-4,000</u>	<u>-2,000</u>
TOTAL:	\$16,359	\$14,222	\$-2,000	\$12,222	\$8,500

a/ FY 1997: Purchase Power \$ 6,600; Wheeling \$16,856.

FY 1998: Purchase Power \$10,900; Wheeling \$ 1,009.

b/ Use of prior years balances.

c/ Purchase Power and Wheeling Program funding for FY 1998 is \$31.9 million using appropriations of \$11.9 million and reimbursements of \$20.0 million. Purchase Power and Wheeling Program funding for FY 1999 is \$34.1 million using appropriations of \$6.1 million and reimbursements of \$28.0 million.

Public Law Authorizations:

Pub. Law 78-534, Flood Control Act of 1944

Pub. Law 95-91, DOE Organization Act of 1977, Section 302

Pub. Law 102-485, Energy Policy Act of 1992

**SOUTHEASTERN POWER ADMINISTRATION
FY 1999 CONGRESSIONAL BUDGET REQUEST
PROGRAM FUNDING BY SITE
(Dollars in thousands)**

<u>Laboratory/Plant/Installation</u>	<u>FY 1997 Current Appropriation</u>	<u>FY 1998 Original Appropriation</u>	<u>FY 1998 Adjustment</u>	<u>FY 1998 Current Appropriation</u>	<u>FY 1999 Request</u>
All Other	<u>27,445</u>	<u>16,222</u>	<u>0</u>	<u>16,222</u>	<u>10,500</u>
Subtotal, Southeastern Power Administration	\$27,445	\$16,222	\$0	\$16,222	\$10,500
Adjustment <u>a/</u>	<u>-11,086</u>	<u>-2,000</u>	<u>-2,000</u>	<u>-4,000</u>	<u>-2,000</u>
TOTAL:	\$16,359	\$14,222	\$-2,000	\$12,222	\$8,500

a/ Use of prior years balances.

Public Law Authorizations:

Pub. Law 78-534, Flood Control Act of 1944

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DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
SOUTHEASTERN POWER ADMINISTRATION
(Tabular dollars in thousands, Narrative in whole dollars)

PROGRAM DIRECTION

I. Mission Supporting Goals/Ongoing Responsibilities:

Program direction provides for: (1) scheduling the generation of power and supervision of power deliveries, (2) negotiation and administration of contracts for the sale of power and energy and establishment of rates to assure repayment of power costs, (3) general administration and support of Southeastern's power marketing program, and (4) Competitive Resource Strategies Program. We coordinate and cooperate with our partners to operate projects in a manner that enhances the value and reliability of hydropower. Priority is given to integrating environmental concerns and determinations into program actions. Emerging energy efficiency technologies are integrated with marketing strategies and programs.

Southeastern's FTE activities and percentages are provided as follows:

- 7% The Office of the Administrator is responsible for marketing hydroelectric power and energy and includes the office of Legal Affairs.
- 27% The Finance and Marketing Division negotiates, prepares and administers contracts for the sale, purchase/interchange, and wheeling of power, formulates rates to meet repayment requirements, is responsible for budget, accounting and financial management activities, customer service, and the Competitive Resource Strategies Program.
- 32% The Human Resource and Administration Division plans, develops, coordinates and administers administrative and management activities of Southeastern. It includes activities to support mission accomplishment, ADP and telecommunication services, public information program, personnel, contracts and procurement, supply, security, technical library, facilities, and strategic planning..
- 34% The Power Resources Division studies power production to determine the amounts of available power and energy and studies methods of coordinating operation of present and proposed generating plants to obtain maximum utilization of water and power resources. This division coordinates, schedules, and dispatches system power generation on an hourly basis and is responsible for administering contractual operation requirements and performs billing operations for power sold by Southeastern.

As of September 30, 1996, the projects represent a cumulative Federal investment, including replacements, of \$1,492,321,818. Through FY 1996, \$546,095,929 has been repaid in addition to \$896,747,276 in interest. In FY 1997, Southeastern marketed 8,146 GWH of clean renewable

hydroelectric energy for \$163,433,202 in revenues providing total proprietary receipts of \$153,752,042. Southeastern anticipates receipts of \$145,259,000 for FY 1998, \$170,264,000 for FY 1999, and \$173,384,000 for FY 2000.

Program direction has been grouped into four categories:

Salaries and Benefits provides for funding a staffing level of 41 full-time equivalents for Southeastern, including one FTE vouchered from Western Area Power Administration until FY 2000. This includes regular salary, overtime pay, annual and sick leave, and personnel benefit additives.

Travel provides for funding the transportation of Government employees, their per diem allowances and other incidental expenses related to travel for official business. It consists of travel away from the official station, local travel and transportation of persons. Various travel includes site visits, information meetings, training, speech/presentations, hearings, negotiations, conferences, relocation moves, and other program activities.

Support Services provides for energy efficiency and economic efficiency training to facilitate development of skills that preference customers will need in order to function in the competitive environment.

Other Related Expenses costs of space rental, communications, printing, training, tuition, financial audit of Southeastern Federal Power Program (SEFPP), operation and maintenance of equipment, contract services in support of the administrative functions of the office, supplies and materials, and equipment.

II. Funding Table:

	FY 1997 Current <u>Appropriation</u>	FY 1998 Original <u>Appropriation</u>	FY 1998 <u>Adjustments</u>	FY 1998 Current <u>Appropriation</u>	FY 1999 Budget <u>Request</u>
Salary and Benefits	\$2,562	\$2,669	\$2,669	\$2,669	\$2,693
Travel	195	200	200	200	195
Support Services <u>3/</u>	180	175	175	175	75
Other Related Expenses	<u>1,052</u>	<u>1,269</u>	<u>1,269</u>	<u>1,269</u>	<u>1,407</u>
TOTAL: <u>2/</u>	\$3,989	\$4,313	\$4,313	\$4,313	\$4,370
Full Time Equivalents <u>1/</u>	41	41	41	41	41
Adjustment					
Budget Authority	\$3,989	\$4,313	\$4,313	\$4,313	\$4,370

1/ Includes one FTE vouchered from Western Area Power Administration until FY 2000.

2/ This increase is explained in Part IV of this Section.

3/ Includes Integrated Resource Planning only.

III. Performance Summary:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Salaries and Benefits:	2,562	2,669	2,693
Negotiation, preparation, execution, and administration of all contracts for the disposition of electric power and to insure and maintain continuity of electric service to customers.			
Purchase and scheduling of pumping energy, coordination between the providers of the pumping energy and the project and accounting of all transactions relative to pumping operations of the Carters Project. Perform control area services for the three Savannah River Projects-Hartwell, Russell and Thurmond. Purchase of firm capacity and energy to meet contractual commitments during periods of system capacity shortages, coordinate power operations of 23 projects with all parties making determinations of capacity and energy availability weekly, and monitor testing of pump-back units at the Richard B. Russell Project until the units are declared commercially operable.			
Power billing, collection, and payment functions for approximately 300 contracts which benefits more than 500 preference customers. Execution of budget, accounting and financial management activities for the office.			
Perform continuing engineering studies and review of actual project operations. Evaluate any impacts of proposed or actual changes to project operations. Prepare repayment analyses of each system to determine rates and issue a formal rate presentation as needed.			
Travel:	195	200	195
Contract negotiations, preference customer meetings (SeFPC, Team Cumberland, Alliance), rates (forums, hearings, meetings), Congressional hearings, site visits of existing and new projects, competitive resource strategy meetings, operations meetings with industry self-regulating groups (SERC, VACAR, FRCC & NERC), hydropower task force meetings, C2SWG (COE, Customer, & SEPA Working Group), NEPA activities, training, Power Marketing Policy Forums, National & State Customer meetings (NRECA & APPA), SeFPC O&M Subcommittee meetings, Interagency Task Force on Finance, Technical Advisory Group meetings, FERC pre-filings and hearings, carrying out headquarters responsibilities, and transportation of things.			

Support Services:	180	175	75
Continue Southeastern's Competitive Resource Strategies Program to provide energy efficiency and competitiveness training for its preference customers.			
Other Related Expenses:	1,052	1,269	1,407
Provide administrative support for the office, rent, communications, maintenance, contract services, supplies and materials, equipment.			
Total:	<u>\$3,989</u>	<u>\$4,313</u>	<u>\$4,370</u>

IV. Explanation of Funding Changes FY 98 to FY 99:

Increase of \$24,000 in Salaries & Benefits is a result of the cost of living raise.	+\$24,000
Travel held to FY97 appropriation.	-5,000
Support services decrease as start-up funding is no longer necessary.	-100,000
Increase of \$138,000 in other related services is due to (1) general inflation costs of supplies, materials, communication, etc.; (2) rent; and (3) mandatory training/certification of operation center staff.	<u>+138,000</u>
Total:	\$ 57,000

SUPPORT SERVICES:	<u>FY 1997</u> <u>(\$000)</u>	<u>FY 1998</u> <u>(\$000)</u>	<u>FY 1999</u> <u>(\$000)</u>	<u>FY 1999/FY 1998</u> <u>Change</u> <u>(\$000)</u>
Management Support Service, Training & Education	180	175	75	-100
Total Support Services:	\$180	\$175	\$75	\$-100

OTHER RELATED SERVICES:	<u>FY 1997</u> <u>(\$000)</u>	<u>FY 1998</u> <u>(\$000)</u>	<u>FY 1999</u> <u>(\$000)</u>	<u>FY1999/FY1998</u> <u>Change</u> <u>(\$000)</u>
Audit of Financial Statements	95	95	110	15
Communications	174	236	237	1
Rental Space	111	111	150	39
Maintenance Agreements	90	84	99	15
Tuition	35	50	75	25
Supplies & Materials	170	168	170	2
Contract Services	245	296	331	35
Equipment	132	229	235	6
Total Other Related Services:	\$1,052	\$1,269	\$1,407	\$138

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST

SOUTHEASTERN POWER ADMINISTRATION
(Tabular dollars in thousands, Narrative in whole dollars)

PURCHASE POWER AND WHEELING

I. Mission Supporting Goals/Ongoing Responsibilities:

For FY 1999, this activity provides for the payment of amounts charged the Government under contractual arrangements for: (1) delivery of power over non-Federal systems to load centers of preference customers for the account of the Government, (2) purchase of energy to firm-up Federally generated power during adverse water periods, and (3) support capacity required to meet commitments for the Jim Woodruff project under adverse water conditions. Priority is given to meeting contractual commitments and being the lead in arranging transmission of power and assisting others in planning and constructing facilities where necessary.

II. Funding Schedule:

PROGRAM ACTIVITY	FY 1997	FY 1998	FY 1999	\$ CHANGE	% CHANGE
Purchase Power and Wheeling	\$23,456	\$11,909	\$6,130	\$-5,779	-0.49

III. Performance Summary - Accomplishments:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Payment of transmission service charges for delivery of power over non-Federal Systems and ancillary services.	16,856	21,009	21,009
Purchase of energy to pump water into the Richard B. Russell Project.	0	5,300	8,000
Provide for environmental testing for the Richard B. Russell Project to test the pump back units.	1,000	0	0
Purchases of Energy to pump water into the Carters Project for later release.	4,000	4,000	3,521
Purchase of default power.	1,000	1,000	1,000
Provide support to the Jim Woodruff Project under adverse water conditions through purchases of energy necessary to provide support capacity.	600	600	600
Reimbursements	0	-20,000	-28,000
	<u>\$23,456</u>	<u>\$11,909</u>	<u>\$6,130</u>

Explanation of Funding Changes FY 1998 to FY 1999:

1. The pumping units at the Russell Project are projected to be commercially available for the entire year of FY 1999.
2. In FY 1999, Southeastern will use up to \$28,000,000 in reimbursements: (1) \$20,000,000 for transmission and ancillary services and (2) \$8,000,000 for power purchases at the Richard B. Russell Project.

Breakdown of total needs:

Transmission	\$28,240	
Southern Company ancillary charges	<u>4,400</u>	
Sub-total Transmission:	32,640	
Less Reimbursements <u>1/</u>	<u>-20,000</u>	
Sub-total:		12,640
Purchase Power	13,321	
Less Reimbursements <u>2/</u>	<u>-8,000</u>	
		<u>5,321</u>
Sub-total Transmission & Purchase		17,961
Less Net Billing	-11,831	
Total Appropriated Funds		<u>6,130</u>

1/ Reimbursements: Using reimbursements, preference customers will pay for transmission and ancillary services.

2/ Reimbursements: Using reimbursements, preference customers will pay for power purchases at the Richard B. Russell Project.

MAP

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
POWER MARKETING ADMINISTRATION**

**REVENUES AND RECEIPTS
(Dollars in thousands)**

Southeastern Power Administration	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Gross Revenues:							
Sale & transmission of electric energy	163,433	156,812	181,895	185,247	185,654	186,348	186,653
Revenue from Reimbursements	<u>0</u>	<u>20,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>
Subtotal	163,433	176,812	209,895	213,247	213,654	214,348	214,653
Less:							
Reimbursements	0	-20,000	-28,000	-28,000	-28,000	-28,000	-28,000
net billing amount credited as an offsetting receipt	<u>-10,406</u>	<u>-11,553</u>	<u>-11,631</u>	<u>-11,863</u>	<u>-12,106</u>	<u>-12,361</u>	<u>-12,629</u>
Total Proprietary Receipts <u>1/</u>	\$153,752	\$145,259	\$170,264	\$173,384	\$173,548	\$173,987	\$174,024
Percent of sales to preference customers <u>2/</u>	99%	99%	99%	99%	99%	99%	99%
Energy sales and Power Marketed (in billions of kilowatt hours)	8	8	8	8	8	8	8

1/ Receipts in FY1998 and outyears have been increased \$3 million to reflect the recovery of the unfunded portion of the Civil Service Retirement System and Post Retirement Benefits for Southeastern and the U. S. Army Corps of Engineers power related employees.

2/ Includes TVA

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
SYSTEM STATISTICS**

Southeastern Power Administration

	<u>FY 1997</u> <u>Estimate</u>	<u>FY 1998</u> <u>Estimate</u>	<u>FY 1999</u> <u>Estimate</u>
Generating Capacity:			
Installed Capacity (KW)	3,092,675	3,092,675 <u>3/</u>	3,092,675 <u>3/</u>
Peak Capacity (KW)	3,390,000	3,690,000	3,690,000
Generating Stations:			
Generating Projects (No.)	23	23	23
Available energy:			
Energy from Streamflow	7,700,000	7,700,000	7,700,000
Energy from Pumping	360,000	630,000	630,000
Energy Purchased (MWH)	75,000 <u>4/</u>	75,000 <u>4/</u>	75,000 <u>4/</u>
Energy Available for Marketing (MWH)	8,146,000 <u>2/</u>	8,405,000 <u>2/</u>	8,405,000 <u>2/</u>

1/ Contracted capacity included reserves and losses.

2/ Gross amount; transmission losses of approximately 250,000 mwh must be deducted from this quantity to get net energy marketed to customers.

3/ If four pump-generators at the Richard B. Russell Project go into commercial operation in late FY 1998, the installed capacity would be increased by 300,000 kw.

4/ Jim Woodruff firming (45,000 mwh) and GA-AL-SC deficiency power (30,000 mwh).

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
POWER MARKETED, WHEELED, OR EXCHANGED BY PROJECT
Southeastern Power Administration

<u>Project</u>	<u>State</u>	<u>Plants</u>	<u>Installed Capacity(KW)</u>	<u>FY 1997 Estimated Power (GWH)</u>	<u>FY 1998 Estimated Power (GWH)</u>	<u>FY 1999 Estimated Power (GWH)</u>
John H. Kerr	VA-NC	1	204,000			
Philpott	VA	1	14,000		475*	475*
Allatoona	GA	1	74,000)		
Buford	GA	1	86,000)		
Carters	GA	1	500,000)		
J. Strom Thurmond	GA-SC	1	280,000)		
Walter F. George	GA-AL	1	130,000)	3,826*	4,096*
Hartwell	GA-SC	1	344,000)		
R. F. Henry	AL	1	68,000)		
Millers Ferry	AL	1	75,000)		
West Point	GA-AL	1	73,375)		
Richard B. Russell	GA-SC	1	a/ 300,000)		
Jim Woodruff	FL-GA	1	30,000		230	230
Barkley	KY	1	130,000	}		
Center Hill	TN	1	135,000	}		
Cheatham	TN	1	36,000	}		
Cordell Hull	TN	1	100,000	}	3,260*	3,260*
Dale Hollow	TN	1	54,000	}		
Old Hickory	TN	1	100,000	}		
J. Percy Priest	TN	1	28,000	}		
Wolf Creek	TN	1	270,000	}		
Laurel	TN	1	61,000	}		
Stonewall Jackson	WV	<u>1</u>	<u>300</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Power Marketed:		23	3,092,675	7,792	8,062	8,062

* Projects are integrated hydraulically, electrically, and financially for marketing purposes.

a/ Four pump-generators at the Richard B. Russell Project are scheduled to go into commercial operation in FY 1998, to give a total installed capacity of 600,000 KW.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST**

PENDING LITIGATION

SOUTHEASTERN POWER ADMINISTRATION

In Central Electric Power Cooperative, Inc., et al. vs. Southeastern Power Administration, et al., No. 3-91-2449-0 (D.C.S.C.; filed August 15, 1991), six customers in South Carolina filed suit against Southeastern in U.S. District Court requesting the court to declare illegal Southeastern's energy surcharge contained in its 1990 approved rates for the Georgia-Alabama-South Carolina System, as applied to these customers. These six customers (five cooperatives and South Carolina Public Service Authority) had declined to participate in a voluntary short-term rate increase during 1989, while 168 other customers in the system participated in the voluntary rate increase earlier than allowed by their contracts. The short-term rate change was required to offset the effects of extensive droughts in the southeast and escalating Corps of Engineers operation and maintenance costs. The energy surcharge contained in those rates was to collect the portion of the costs not recovered from these six customers, and the costs were fully collected by September 1993. The parties have filed Motions for Summary Judgment which were argued in October 1992, and a ruling by the District Court is expected at any time.